
REVISITING ECIL V. B. KARUNAKAR: A FLAWED LEGACY IN NATURAL JUSTICE JURISPRUDENCE

Kawanpreet Kaur, Jindal Global Law School

ABSTRACT

The case of *Managing Director, ECIL, Hyderabad etc. v. B. Karunakar and Ors.* is a landmark judgement in the Principles of Natural Justice jurisprudence. It upheld the right of the alleged delinquent employees in an institution to receive the report of the enquiry committee and to respond to that report. While the judgment ostensibly strengthened the principles of natural justice under Article 311(2) of the Constitution, it simultaneously gave rise to certain doctrinal and procedural issues. Such issues include concerns regarding the prejudicial test laid down by the Court, failing to engage with the issue of biases within the quasi-judicial authority, leaving the issue of delayed reports unaddressed and applying the law prospectively, leaving employees who were dismissed before the given date with no legal remedy. Despite the existence of such issues, the decision continues to be cited in the contemporary decisions without the concerns being addressed. This commentary argues that while the case is foundational, its flaws must be acknowledged. It also suggests certain changes which can be made to the law laid down by the Court in this decision to affirm the rights of the employees under the Constitution.

Keywords: Principles of Natural Justice, Quasi-judiciary, Article 311(2) of the Constitution.

1. INTRODUCTION

J. V.R. Krishna Iyer stated, "Every right upheld by the court is a victory, but sometimes even justice carries collateral burdens."

An analogous situation was seen in the case of *Managing Director, ECIL, Hyderabad etc. v. B. Karunakar and Ors.*, in which the Supreme Court upheld the Principles of Natural Justice. Though the Court affirmed the rights of the employees, it failed to address certain ancillary issues which reimpose injustice. The appellant was dismissed from the company on the allegations of misusing company's official resources and engaging in misconduct. He was held guilty by the enquiry committee which was headed by the managing director himself without being given a chance to defend himself. The Court held in favour of the appellant and explained that the delinquent employees have a right at two stages, firstly the right to receive the report of the enquiry committee and secondly the right to respond to that report.¹ While the Court recognised the right to be heard, it failed to engage with various loopholes in the law. Notwithstanding its shortcomings, the rule remains operative and continues to affect current jurisprudence.²

2. ANALYSIS OF THE CASE

1.1 Principles of Natural Justice

The Court upheld the Principles of Natural Justice, which ensure that the procedure while making a decision is fair and impartial. Such principles include firstly the principle of *audi alterum partem* i.e., let the other side be heard, and secondly, the principle of *nemo iudex in causa sua* i.e., no one should be a judge in their own case. They ensure that a fair chance is given to everyone to present their case before a decision is made and the decision made is without any bias. The Court affirmed these principles, providing protection to employees against unfair disciplinary proceedings, in consonance with basic tenets of equality under Article 14 and procedural fairness under Article 21.

¹ *Managing Director, ECIL, Hyderabad and Ors. v. Karunakar and Ors.*, MANU/SC/0237/1994, ¶ 7.

² *State of U.P. v. Ram Prakash Singh*, 2025 SCC OnLine SC 891; *Dr Yogananda A v. The Visvesvaraya Technological University & Others*, Writ Petition No 21705 of 2021 (Kar HC); *Nur Afsar Mandal v. Visva Bharati and Ors.*, W.P.A. 1129 of 2022 (Cal HC); *Deepak Ananda Patil v. The State of Maharashtra & Ors.*, Civil Appeal Nos 88-89 of 2023.

2.2 Scope of Article 311 of the Indian Constitution

The Court relied on Article 311 which provides that the delinquent employee must be informed of the charges against him and given a reasonable opportunity of being heard in respect of those charges.³ While the Article mentions protection to the government employees, the Court broadened the scope of the provision by including employees of private sector as well. Right to be heard was also guaranteed even if the statutory rules do not permit furnishing report or are silent, thereby making non-existence of such rules an invalid ground for disregarding the right and preventing companies from making contrary rules. Further, the Court clarified that if the delinquent employee fails to ask for the report, it does not amount to waiving off the right and the right to receive the report cannot be taken away irrespective of the nature of punishment.⁴

Therefore, by broadening the scope of the Article, the Court tried to protect employees in both governmental and non-governmental sectors, addressing the power imbalances in the companies. It also invalidated certain grounds which might be used by the companies to treat the employees unfairly, thereby protecting such employees from unjust dismissals.

2.3 The Prejudicial Test

While the Court affirmed the Principles of Natural Justice and broadened the scope of the right of the employees, it laid down an exception to the principles—the Prejudice Test. The test states that if it appears to the Court that non-supply of report did not cause any prejudice to the employee, it should not interfere with the decision of the disciplinary committee and should not set aside the punishment.⁵ This test continues to be relied upon even today.⁶

The test is problematic in nature as it favours the employer, as opposed to the employee, where the employee has already been exposed to unfair treatment by the employer. It shifts the burden of proving the violation of right on the employee without taking into account various social and financial aspects of the employee. This may deter the employees from approaching the courts. Further, it goes against the protection given under the Constitution as there is a shift from protecting rights of the employees who have faced unfair treatment to proving whether

³ INDIA CONST. art. 311.

⁴ *supra* note 1.

⁵ *Id.*

⁶ S. Janaki Iyer v. Union of India & Ors., Civil Appeal no.10858 of 2024.

there was an actual prejudice. Additionally, without any guidelines laid down by the Court, the test can result in inconsistent outcomes. What is prejudicial to some courts, can be fair to other courts. Hence, the subjective nature of the application of the test can result in further violation of rights of the alleged delinquent employees.

2.4 Biases within the quasi-judicial authority

The Court clarified that the 42nd Constitutional Amendment removed the right to challenge the proposed penalty by the disciplinary committee i.e., after responding to the report, the employee cannot argue to mitigate the decided punishment.⁷ In the absence of such right, the Court failed to address the biases within the quasi-judicial institutions. While the employees are entitled to defend themselves, the final decision remains with the disciplinary authority which can constitute of the employers themselves, leading to unfair dismissals. Such bias existed in the present case, where the managing director himself was heading the enquiry committee, however the Court overlooked this dimension of the case.

Moreover, in its analysis, the Court considered the existence of two bodies, an enquiry committee which investigates on the matter and provides recommendations regarding punishments, and a disciplinary authority which decides on the guilt of the alleged delinquent employee after receiving the report of the enquiry officer. The Court failed to account for situations where both the bodies are constituted by same people and the decision making is biased from the very beginning. In such situations, collection of evidence and final decision can be prejudiced, making fair and open-minded judgment unlikely.

This reinforces the power imbalance in the institutions and results in loopholes in the law, even if rights are present, ultimately affecting the employees unfairly.

2.5 Delayed reports

While the Court established the right of employees to receive the report of the enquiry committee, it failed to address the issue of delayed reports. No guidelines were laid down ensuring reports are supplied within a reasonable or fixed time period. This allows the enquiry and disciplinary authorities to delay reports keeping the employees in prolonged suspensions. This not only affects the career of the employees but also their financial aspects and their right

⁷ *supra* note 1, ¶ 3.

to life with personal dignity under Article 21.

2.6 Prospective Application

The Court held that the right laid down in the given case can be exercised prospectively to avoid administrative chaos.⁸ It ensured fairness to the employees who were unfairly dismissed after 1990, but it failed to take into account the wrongful dismissals before the given time period. Such employees were left with no legal remedy which led to failure of justice, employment being a fundamental aspect of a person's life. Unfair dismissals can also lead to consequential damages where such employees may struggle to find new jobs based on false allegations. This results in violation of one's right to live with dignity under Article 21 of the Constitution.

J. Ramaswamy also, in his dissenting opinion, criticised the prospective application of such rights stating that principles of natural justice cannot be time bound. He argued that not providing relief to employees who were wrongfully dismissed before the agreed on time would lead to violation of fundamental rights under Article 14 and Article 21.⁹ Hence, not providing adequate relief based on reasons of administrative inconvenience cannot be prioritised over principles of constitutional fairness.

Such application of law raises concerns as there may be individuals even now who were dismissed before the given date and face unfair treatment, with no right to approach the courts.

Importantly, this judgement justified prospective application of law to avoid administrative chaos. Such reasoning to refuse relief to employees in order to avoid chaos results in a faulty precedent in the administrative law jurisprudence.

3. SUGGESTIONS

Although this case remains landmark in Indian legal jurisprudence and continues to be cited as a precedent over thirty years later, its underlying doctrinal shortcomings render it problematic, with ongoing implications for the present legal landscape. The Supreme Court must address the above-mentioned issues and cure the defects present in this landmark precedent. The prejudice test and its consequences on the rights of the employees should be examined. Instead

⁸ *supra* note 1.

⁹ *Id.*, ¶ 20 (per Ramaswamy, J., dissenting).

of the burden being on the employees, the burden should be shifted on the employers. Hence, the 'Prejudice Test' can be changed to 'Presumption of Prejudice Test,' where courts assume prejudice has happened and provide the right to be heard to the employees, assuring rights under the Constitution.

Furthermore, the Court should address the issue of biases within the quasi-judicial institution i.e., the enquiry committee and the disciplinary authority. Guidelines should be laid down regarding the constitution of such committees which can include independent persons. Though the employees can approach the tribunals and courts in case of unfair decisions, steps must be taken on the institution level to ensure fair procedure and avoid litigation, since the long procedures of litigation can lead to further injustice.

Moreover, guidelines can be issued fixing the time period in which the report has to be given to the employee to solve the problem of delayed reports. Guaranteeing right to receive such reports within a fixed time period can help avoid misuse of power by the employers.

Lastly, to avoid the consequential damages of prospective application of the law, applications can be invited and selectively reviewed to provide relief to individuals who suffered disciplinary action in violation of natural justice prior to the ruling. Additionally, the Court must clarify that administrative chaos cannot be used as the sole reason to refuse relief to employees and cannot be given precedence over fundamental rights under the Constitution.

4. CONCLUSION

This judgement holds great importance because of the emphasis of the Court on principles of natural justice and fundamental rights of employees under Article 311 of the Constitution. However, despite protecting rights, the Court failed to take into account certain doctrinal concerns such as the issues attached with the prejudice test and the prospective application which caused injustice to the employees who were wrongfully dismissed before 1990. It also failed to address procedural issues like existence of biases within the institution forming the quasi-judicial authority and delaying reports by the employer. The Court must examine these loopholes and work towards eliminating them to ensure justice for employees who are placed at a disadvantaged position as compared to the employers.